

HOUSE OF COMMONS

First Special Report from the

INDUSTRY AND TRADE COMMITTEE

Session 1982-83

GOVERNMENT SUPPORT FOR TRADE AND INDUSTRY IN NORTHERN IRELAND

Observations by the Government on the Seventh Report
of the Committee in Session 1981-82

*Ordered by The House of Commons to be printed
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The Industry and Trade Committee is appointed under SO No 86A to examine the expenditure, administration and policy of the Departments of Industry and Trade and associated public bodies, and similar matters within the responsibilities of the Secretary of State for Northern Ireland.

The Committee consists of a maximum of eleven members, of whom the quorum is three.

The Committee shall have power:—

- (a) to send for persons, papers and records, to sit notwithstanding any adjournment of the House, to adjourn from place to place, and to report from time to time,
- (b) to appoint persons with technical knowledge either to supply information which is not readily available or to elucidate matters of complexity within the Committee's order of reference.

Unless the House otherwise orders, all Members nominated to the Committee continue to be members of the Committee for the remainder of the Parliament.

MONDAY 26 NOVEMBER 1979

The following were nominated as members of the Industry and Trade Committee:—

Sir Donald Kaberry
Mr Kenneth Carlisle
Mr Eric Cockeram
Mr Stan Crowther
Mr Peter Emery
Mr Derek Foster

Mr Russell Kerr
Mr Thomas McNally
Mr Robin Maxwell-Hyslop
Mr Ian Mikardo
Mr Donald Thompson

Sir Donald Kaberry was elected Chairman 4 December 1979

The following changes in the membership of the Committee have been made:
Friday 16 January 1981: Mr Donald Thompson discharged; Mr James Hill appointed.

Friday 4 December 1981: Mr Kenneth Carlisle discharged; Mr Martin Stevens appointed.

FIRST SPECIAL REPORT

The Industry and Trade Committee have agreed to the following Special Report:

GOVERNMENT SUPPORT FOR TRADE AND INDUSTRY IN NORTHERN IRELAND

In September we published a Report on Government Support for Trade and Industry in Northern Ireland.¹ The Northern Ireland Office have now replied to that Report in a letter which we publish as an annex to this Report.

1 December 1982

¹Seventh Report, 1981-82, H.C. 500.

**Letter from the Secretary of State for Northern Ireland to the Chairman of the Committee
dated 25 November 1982**

Seventh Report of Select Committee on Industry and Trade

I was very glad to see your Seventh Report to the House of Commons on Government support for trade and industry in Northern Ireland, which was published on 15 September. At a time when, as your Committee acknowledges, the Northern Ireland economy is facing extremely difficult problems, it is encouraging to see that your Report has endorsed many of the Government's own policies and objectives in the field of industrial and trade support.

I am sure that your Report (paras 12 and 15(a)) was right to stress that renewed effort needs to be made to identify those sectors in Northern Ireland which offer the prospect of long-term jobs. In looking where such prospects may lie, we have to bear in mind such factors as the smallness of the Northern Ireland economy and the need to avoid over-dependence on large companies or any one industrial sector; also we must seek to exploit the high quality of our workforce in jobs where their talents can add most value. Long-term employment prospects — both direct and indirect — may lie with any company with the right product, markets and management. Nevertheless, we have for some while pursued a policy of seeking to encourage certain sectors.

The new Industrial Development Board (IDB) intends to continue to identify those sectors, both in manufacturing and service industries, which are particularly relevant to the Province's employment needs. A considerable amount of research work has already been done, and senior personnel have been appointed in the IDB to look after 4 specific sectors — robotics, electronic office equipment, medical electronic equipment, and service sector industries. The IDB will also retain a special interest in the development of food processing in the Province. The Government also recognises that the tourism industry is deserving of support, and it will continue to provide incentives to facilitate the expansion of worthwhile tourist development and amenity projects.

The Government notes the Committee's views (paras 12 and 15(b)) about the factors which should be taken into account in assessing individual projects, and the Industrial Development Board will continue to apply such considerations in assessing individual applications for assistance.

Like the Committee, the Government has decided that more attention should be paid to service industries (para 15(c)). The Government's commitment to the service sector will be made clear in the Ministerial guidelines, which are to be issued to the Industrial Development Board. A senior official has already been appointed within the Industrial Development Board with the specific remit of following this commitment through. Northern Ireland has some advantages for certain types of service operation, including its excellent communications, both physical and in terms of telex and telephone systems, and its high educational standards. The Industrial Development Board will emphasise these advantages in its drive to attract internationally mobile service sector projects to the Province.

The Government entirely agrees with the Committee's view (para 15(d)) that renewed efforts must be made to project a more realistic image of Northern Ireland. This is being tackled as a key objective by Ministers, the Industrial Development Board, by Diplomatic posts and others involved in promoting the Province. There is much news which points to the attractions of Northern Ireland and the qualities of its people and the high degree of normality in every day life. The national and London-based international media can play a major role in portraying this more pleasant and more representative face of Northern Ireland. Our task is to persuade them that the Province deserves a better presentation. At the same time it is to be recognised that the nature of some events in Northern Ireland and the interest they attract means much attention will be given to the abnormal side of life in the Province. We must accept this as inevitable. The Government cannot disregard it but rather, mindful of the view expressed in your recommendation, must show itself responsive and alert to the need to correct misconceptions of policy or events when they arise.

The Committee concluded (para 15(i)) that Ministers in both the Department of Industry and the Northern Ireland Office should take more positive action to encourage British firms to open up new factories in Northern Ireland.

One of our greatest disappointments in the industrial development field has been to see so many firms from Great Britain investing in the Irish Republic rather than in Northern Ireland. Obviously the "image" factor is a major influence here; much publicity has been given to the number of GB companies which have closed down their NI operations, but very little is heard of GB and overseas companies which have had (and continue to have) excellent results in Northern Ireland. The most pressing need is, therefore, once again to improve the image of the Province in GB as an individual location, and I can assure you that Ministers will continue to play a full role in this respect.

At the same time we must be careful that in seeking to promote GB investment, we do not simply end up by relocating industrial activity, from GB to Northern Ireland at the expense of job losses on the mainland, with no appreciable effect on the efficiency of UK industry as a whole or on net employment creation. We shall therefore be looking for projects where, broadly speaking, it is clear that a development will improve the efficiency of the company concerned; or where it might benefit the UK economy as a whole; or where the project would otherwise be relocated outside the United Kingdom.

The Government shares the Committee's views (paras 13 and 15(e)) that the creation of jobs in small firms continues to represent good value for money, but that these need to be supported by major investments which provide a large number of jobs for a limited outlay. The Government as you know has placed considerable emphasis on encouraging the birth and development of small firms in Northern Ireland, and throughout the UK as a whole. In NI the Local Enterprise Development Unit has been particularly successful in promoting new employment against the generally downward economic trend. We also recognise, however, that such efforts will not achieve sufficient employment growth in the Province and we shall therefore continue to seek larger projects which themselves can help to generate jobs in the small firms sector for suppliers, sub-contractors etc.

Para 15(f) of your Report draws attention to the widely held view that enhanced provision for housing construction would give a much needed boost to the economy. We recognise the need to carry through a major programme of house construction and improvement, not only to boost the economy, but also to remedy the problems created by the poor housing conditions which are widespread in Northern Ireland, and which compare unfavourably with conditions in the rest of the UK. I have already accorded top priority to housing among Northern Ireland's social and environment programmes; in 1982/83 the total resources available to the Northern Ireland Housing Executive (NIHE) amounted to £403 million, compared with £354 million in 1981/82. This has enabled the NIHE to embark upon a sustained programme of new housing construction; contracts for some 4500 new houses will be let for 1982/83 involving expenditure of £95 million, and the improvement, rehabilitation and repair of the existing stock of houses. I have also allocated substantial funds — in excess of £29 million — to finance the rehabilitation of the existing stock and the provision of new houses by voluntary housing associations, and to encourage private sector house building through an equity sharing scheme operated by the NI Co-ownership Housing Association. A substantial impetus to the construction industry is also provided through house renovation grants provided to encourage owner occupiers and private landlords to improve and repair their houses and to provide missing amenities; expenditure on such grants is likely to exceed £31 million in the current financial year. We therefore believe that we have responded in a practical and effective way in seeking to meet the difficult housing problems apparent in Northern Ireland. The allocation of available resources will continue to reflect the priority which my Ministerial colleagues and I have attached to housing as a boost to the economy and to improving housing conditions.

You also comment in your Report (paras 10, 15(g) and (h)) on the Government's package of incentives to industry in Northern Ireland. While I cannot accept the implication that some of the media have drawn from your Report that the incentive package has "failed" to attract industry to the Province, I nevertheless agree that we must keep under review the financial and other inducements to industry and trade available in Northern Ireland, to ensure that the package maintains its competitiveness with that available in other countries, in particular the Irish Republic. To that end I shall be looking

to the Industrial Development Board for continuing advice on the present range of incentives. I shall consider whether and how any changes might be accommodated within the framework of public expenditure constraints and the Government's overall national economic and industrial policies.

The Government has noted the Committee's comments on Harland and Wolff (H&W) (para 14). The possibility that the Yard might diversify into other products has been examined and the scope is thought to be limited; nevertheless, this, and the possibility that the Yard might produce a wider range of ships will be explored. The Government has made it clear to both the management and the workforce of the Company that its survival depends on the ability to win orders. This in turn means the Yard must become more competitive and achieve greater cost and productivity improvements. Positive steps are being taken in this direction and the Government will be doing all it can to encourage the continuation of this process.

Finally, I should say that I entirely agree with the views expressed in your Report (para 9), and in your Press Statement, that Northern Ireland should continue to be treated as a special case. The Government is very conscious of the unique blend of social, economic and political problems which beset Northern Ireland, and we recognise that there is still a great deal of activity and hard work necessary, both on the part of Ministers and the industrial development agencies in the Province, if we are to make any progress on the economic front. I and my colleagues always welcome suggestions and advice and it was therefore most helpful to have your Committee's Report.